

Dear BSU Faculty,

The following remarks are prepared in the context of the Ball State's partnership with the Charles Koch Foundation and the John H. Schnatter Family Foundation in the creation and fortification of the Institute for Entrepreneurship and Free Enterprise (IEFE).

UnKoch My Campus is a network of students, faculty, and alumni dedicated to the preservation of academic freedom and faculty governance in the presence of highly political donors. The following observations regarding the academic programming and political activity of the Charles Koch Foundation are made purely on these grounds.

Following the abrupt and still mysterious resignation of the university president, Dr. Paul Ferguson, in January of this year, [a Senate resolution](#) was drafted by then chair of the University Senate, Dr. Bruce Frankel. Though our concerns are intertwined with the Koch/Schnatter agreement, we also agree with concerns previously brought up in Frankel's resolution about the lack of confidence in the Board. We echo the following concerns not only in regards to the president's resignation and subsequent closed search (an outrage at a public university) but also in regards to the grant agreement in question. These previously proposed resolutions are and concern the following:

- **Transparency:** That the Senate of Ball State University hereby calls on the Acting President and Board of Trustees to recommend to adopt as its by-laws and policies to prohibit blanket non-disclosure contracts with future University Presidents and to require a publicly open and representative forum in the selection and performance evaluation of those Presidents.
- **Faculty/Student Oversight:** The conduct of the Board of Trustees should be to solicit from the university community and external constituents of the University an evaluation of the course of the University, through public forums, surveys and other formats, and then to consider such feedback in its decisions.

Our research, assembled for BSU faculty specifically, demonstrates unambiguously that the aims of the Charles Koch Foundation *are specifically to*: subvert university transparency, leverage donor control over the programming, and utilize the academic programming for political purposes. **We hope that the Academic Freedom and Ethics Committee of the Faculty Council will take our concerns and materials and seriously consider them.**

The sources cited in these remarks include the 2016 [CKF/Schnatter/BSU agreement](#), and remarks made by Charles Koch Foundation officials and Koch funded professors at a 2016 conference of the Association of Private Enterprise Education (APEE) (including the two directors of Kentucky's Koch/Schnatter centers). Other sources are recordings and documents taken from inside Koch's secret bi-annual donor summits.

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Section 1: Donor Secrecy and Control

Contractual Anti-Transparency

The Grant Agreement requires that the university avoid transparency as much as possible, requiring:

The Foundation and the University **agree to keep confidential and not to disclose to any third party the existence of or contents of this Agreement** without express written approval from the Donor, except as otherwise may be required by law; including in response to a public records request submitted under applicable State or Federal law. If the Foundation or the University is required to disclose the existence of or the content of this Agreement to any third party, the Foundation and the University agree to provide the Donor with prompt advance written notice of such disclosure. (BSU Agreement, 8.b)

This provision is nearly identical to others we have seen in Koch contracts. Of the hundreds of universities funded by the Charles Koch Foundation, documentation is available for approximately ten universities. A private university does not have to (and under this provision would be obligated not to) “reveal to a third party the existence of” an agreement with the Koch foundation.

At the 2016 APEE conference, Charles Koch Foundation officer Charlie Ruger spoke on a panel entitled [“Establishing a Successful Academic Center”](#):

Transparency is one thing. The reason that groups like UnKoch My Campus are engaging in abusive open records law is not for the sake of transparency, it’s for the sake of intimidation and bullying, and to put academic freedom at risk. So if you’re a faculty member and you have an idea, this group’s sole purpose is to ensure that you’re not allowed to pursue that idea by shutting down.

And so we’re all for the idea of transparency, we’ve got nothing to hide, there’s nothing untoward happening. All of our philanthropy is based on faculty governance, academic freedom and donor intent, and those things aren’t in conflict.

But every time a bully knocks on the door, we’re not just gonna give them what they ask for. They’re gonna have to go through this process and reveal themselves for what they are. They’re going to file lawsuits and drag these professors into court, as a signal to the next professor who wants to do something innovative or entrepreneurial. ‘If you do that, we’ll sue you, and all of your emails will become public.’

Our position on that is, no, don't give them anything they ask for, till they go through that process. It makes them look foolish that they file lawsuits, they hire attorneys, and then they get nothing. Over time, I think they're gonna learn, this is an overuse of open records laws. But we don't wanna just give them something for free. What they're about is not transparency. (Ruger, [Establishing a Successful Academic Center](#), pg 20)

Also on the panel was the director of the Koch/Schnatter program at the University of Louisville, Dr. Steve Gohmann, who followed up directly to Ruger's remark, "Well, perhaps if you drag 'em on longer and longer and make them spend more on attorney fees, it then becomes real expensive for them to get something like, like our agreement."

When Charlie Ruger describes how students will "file lawsuits and drag these professors into court," he is presumably referring to the events at the University of Kansas. Student records requests that would have revealed details of Koch funded academic activity of University of Kansas professor and former Koch lobbyist Art Hall. The records request was blocked by a lawsuit filed Dr. Hall, paid for by Koch Industries ([Topeka Capital Journal](#), September 15 2015).

Contractual Influence

The 2016 [Charles Koch Foundation/BSU agreement](#) contains provisions that grant the donor excess control, similar to other provisions seen in Koch's academic programming Koch/Schnatter. Recent recordings of Koch foundation officials confirm that that this is used intentionally as a mechanism of donor control.

An additional measure of control, the Donor maintains the ability to review annually before releasing any of the next years Contributed Amounts, in part or in full.

The Foundation shall submit an annual written report according to the schedule below to the Donor for the Donor's consideration (the "Foundation Grant Report") and an accounting of the expenditure of any Contributed Amount previously received. The Donor shall review the Foundation Grant Report in good faith. If the Donor approves the Foundation Grant Report, the Donor shall make a contribution up to the amount listed in the below schedule to the Foundation (BSU Agreement, 5.a)

Broadly, the agreement gives Koch and Schnatter the "sole and absolute discretion" to withdraw their funding for any part of the Institute Programs, at any time:

The Donor has the right to terminate this Agreement or decline to provide any Contributed Amount in response to a Foundation Grant Report if, in its sole and absolute discretion: (i) the Foundation or the University has materially breached this Agreement; (ii) the Institute Programs

are not advancing the Institute's Mission as stated in this Agreement; or (iii) such action is necessary to comply with any law applicable to the Foundation, the University, or the Donor. Such termination or decision not to provide any Contributed Amount in response to a Foundation Grant Report shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the Foundation or the University. In the event the Donor terminates the Agreement, the Foundation and the University each agree to return all uncommitted Contributed Amounts to the Donor within fifteen (15) days of the Donor's request. (BSU Grant Agreement, 8.a)

Koch Confirms, it's for Control

Koch foundation officials have confirmed our criticisms that undue influence is granted when donors are allowed to decide annually whether to renew or withhold funding. At the 2016 APEE conference, the Koch foundation's Charlie Ruger sat on a panel entitled "Successful Models of Programs in Private Enterprise." The other panelists were the two directors of Kentucky's two Schatter/Koch centers; the University of Louisville's Steve Gohmann and the University of Kentucky's John Garen.

Ruger clarified a mechanism of contractual control:

Everything we do is on an annual basis. So we want our partners to have certainty and be able to do long term programs and stuff. So we'll say 'for the first 3 to 5 years of an investment, we'll commit, formally, 3 or 4 million dollars or whatever it is and we do that with a coalition of stakeholders, a coalition of donors. And here's what the university has said it would like to do with the money. If it does anything else with it, you know, **'best of luck but the next check isn't coming.'** (Ruger, [Successful Models](#))

Koch funded professors on the panel confirmed that this was their understanding. The director of the University of Louisville Koch Center, Dr. Steve Gohmann:

And I don't worry about the university trying to steer the money away because they know that if they take that money, there won't be money coming in the future. So this is the nice thing about getting money annually, is that the university is more beholden to let faculty do what we're what we want to do with the money, which is, the donor also intends us to do, and because that money's not there for them to grab onto and it won't be coming the next year if they mess things up. (Gohmann, [Successful Models](#))

Section 2: Political Interference

The objectives of the Charles Koch Foundation's academic programming have been revealed multiple times over, beginning from a 1974 speech given by Charles Koch as chairman of the Institute for Humane Studies, where Koch clearly states:

We should cease financing our own destruction and follow the counsel of David Packard, former Deputy Secretary of Defense, by supporting only those programs, departments or schools that “contribute in some way to our individual companies or to the general welfare of our free enterprise system.”

[...]

We must recognize that a direct political approach contains certain inherent dangers. [...] Thus, political activity is less cost-effective than the other approaches, and businessmen should allocate resources accordingly.

The important strategic consideration to keep in mind is that **any program adopted should be highly leveraged so that we reach those whose influence on others produces a multiplier effect**. That is why educational programs are superior to political action, and support of talented free-market scholars is preferable to mass advertizing. The development of a well financed cadre of sound proponents of the free enterprise philosophy is the most critical need facing us at the moment. As the Powell Memorandum points out, “business and the enterprise system are in deep trouble, and the hour is late.” But the system can be restored if business will re-examine itself and undertake radical new efforts to overcome the prevalent anti-capitalist mentality. (Charles Koch, 1974, [Anti-capitalism and Business](#), pg 6-7) (Emphasis added.)

Koch's “Integrated Strategy”: the Structure of Social Change

The Charles Koch Foundation organizes a network of the nation's wealthiest interests, using an explicit model they have developed for privately funding pro-corporate policy change.

The strategy used by the Koch foundation, “[the Structure of Social Change](#),” was developed in the late 1970's by Richard Fink¹ based on a model of production created by Austrian economist Friedrich Hayek. The model is reimagined so that, instead of the manufacturing and distribution of a product, private donors fund the production and “implementation of policy change.”

The Koch foundation describes this as the process of “transforming ideas into action.”

¹Fink was long time Executive Vice President of Koch Industries, CEO of Koch Companies Public Sector (Koch's lobbying arm), President of the Charles Koch Foundation, and co-founder (with Charles Koch) of the Mercatus Center at George Mason University in 1978.

In the three part model, donors first fund an academic to produce research (“intellectual raw materials”), which a think tank then molds into policy recommendations (“usable form”), and finally, corporate funded front groups (“citizen activist groups”) to give the appearance of grassroots support (“astroturf” groups like Americans for Prosperity²).

“Integrated Strategy” and Koch’s Donor Summits

The Charles Koch Foundation and a network of donors fund and coordinate this process twice annually at a secretive “donor summit.” [Leaked recordings](#) from a 2014 donor summit reveal

Professors educate thousands of students in the idea of a free society, in courses and outside the classroom (inaudible), and then help those students see the message to fight for freedom. (Kevin Gentry, [session transcript](#), pg 4)

Now, these programs also act as a talent pipeline. [...] Today we work with a network of nearly 5,000 scholars (Gentry, [session transcript](#), pg 5)

Not only does higher education act as a talent pool stream where teachers and professors operate other new programming, but it also -- the students that graduate out of these higher education programs also populate the state-based think tanks and the national think-tanks. Six think tanks are working on freedom initiatives. And then also, they become the major staffing for the state chapters on the grassroots innovation around the country.

So you can see that higher education is not just limited to impact on higher education. Students who aren't interested in becoming professors, but are interested in what we're -- got to be careful how I say this -- more broadly, are very interested and then they, they populate our, our program these think tanks, and grassroots. And as we pointed out, that group of students taught in these centers, that we've been able to produce two million or so grassroots. And they in turn work with the (inaudible) that even talks to (inaudible) talks to (inaudible).

So the network is fully integrated. So it's not just work at the universities with the students, but it's also building state-based capabilities and election capabilities, and integrating this talent pipeline. So you can see how this is useful to each other over time. No one else, and no one else has this infrastructure. We're very excited about doing it.

The Koch foundation uses these summits to fund and coordinate an “integrated strategy” for policy change where the university donations are arranged literally in the room where political donations are arranged. Kevin Gentry continues:

² Fink has been a long time board member of Americans for Prosperity, co-founding its predecessor, Citizens for a Sound Economy.

And because we're (inaudible) well-being, a lot of our current resources are focused on economic freedom and are focusing on electoral process. We're trying to launch a new institution focusing on experimentation with well-being (inaudible) population. **So I hope that those of you that are excited about the electoral process, you'll invest there. Those of you who are excited about universities, invest there. Those of you who are also excited in terms of investing in these new experiments (inaudible) well-being, I hope you invest there.**

...this network is focused on 32 priority states which the population, the culture of freedom that will not just change the policies of those states, but also have a significant impact on the federal government. (Gentry, [session transcript](#), pg 33)

“Integrated Strategy” and APEE

The Charles Koch Foundation’s Charlie Ruger acknowledged this model, and the political purposes of Koch’s academic programming, on an APEE 2016 panel with the directors of Kentucky’s both Koch/Schnatter centers:

So, when we go to build new academic institutions in partnership with the universities, we’re doing it because **in order to, you know, make a dent we’re gonna need to have a disproportionate impact.**

[...]

it’s not just funding summer salaries or funding for individual research projects, it’s got to do with taking those ideas, taking that research, and bringing them out of the academy. So we want these great ideas of the APEE network to be applied the way we think about it at least, across sort of an integrated structure of production for culture change.

[...]

They can also play an interesting role in engaging with different kinds of stakeholders in these social institutions. That can mean arranging state legislative testimony to make sure that, you know, these kinds of ideas have a seat on the table in public policy.

[...]

And it’s not just the money, we also bring a network with us. So, the Charles Koch Foundation does a lot of funding of universities and higher education institutions over all, but **we’ve got a constellation of network organizations that are focused on applying what comes out of universities to change the world.** And so, that’s sort of the core of the partnership. Money plus the network. (Ruger, [Successful Models](#))

This “constellation of network organizations that are focused on applying what comes out of universities” includes a national network of think tanks, known as the State Policy Network (SPN). The directors of both Koch/Schnatter centers are affiliated with the Kentucky’s SPN member, the Bluegrass Institute:

Bluegrass Institute works with Kentuckians, grassroots organizations, and business owners to advance freedom and prosperity by promoting free-market capitalism, smaller government, and the defense of personal liberties ([Bluegrass Institute website](#))

Dr. John Garen, is an adjunct scholar at the Bluegrass Institute, and serves as the chair of the [Bluegrass Institute's Board of Scholars](#), which includes the director of the University of Louisville Koch/Schnatter center, Dr. Steve Gohmann. Also, according to his CV, Garen is also affiliated with other SPN organizations, including the Tax Foundation, and the Cato Institute (founded by Charles Koch).

Several Ball State University professors, including Michael Hicks and Cecil Bohanon are affiliated with Indiana's State Policy Network member, the Mackinac Center for Public Policy and Indiana Policy Review Foundation, respectively. Hicks was scheduled to attend APEE 2016 on a panel with State Policy Network and American Legislative Exchange Council, where panelists describe how faculty are hired by think tanks to do policy work. See a [full transcript here](#). Other BSU attendees of the APEE 2016 conference include James McClure and Nicholas Currott.

Section 3: The Free Market Agenda of Koch and Schnatter

The Koch foundation's Charlie Ruger (during the APEE 2016 panel) described the motivations of their partner donors:

CKF and our partners put together have committed about 170 million dollars in resources over, let's say, the next 5 or 6 years to these center projects. Only about 40% of that comes from the Charles Koch Foundation. The rest comes from a network of business leaders from across the country who see our system of free enterprise as being in great peril, and they're willing to put all of their resources, their fortunes, on the line, to help that not happen. (Ruger, [Successful Models](#))

Ruger briefly described the Schnatter partnership:

So, in the case of the University of Louisville with John Schnatter, Papa John's is headquartered in Louisville.

[...]

And then University of Kentucky is sort of the same geographical region, **he's got a lot of business interests there, that kind of thing.** (Ruger, [Successful Models](#)) (Emphasis added.)

Schnatter has business interests in the state of Kentucky, as it is the location of Papa John's U.S.A Inc. As a result, Kentucky is also the location of Papa John's legal troubles with labor regulations, including a years long, six state, [class action lawsuit](#) against Papa John's for an elaborate system of wage theft, violating minimum wage laws. Papa John's settled out of court for \$12.3 million in 2015.

Schnatter was an attendee of Koch's [Feb 2014 Freedom Partners donor summit](#) in Palm Springs, CA. Documents reveal that at the 2014 summit, Schnatter had a [one on one meeting](#) with the Koch Foundation's director of Higher Education, Ryan Stowers.

According to the organization's most recent [990 tax forms](#), Ryan Stowers was a member of the APEE executive committee, along with the directors of Kentucky's two Koch/Schnatter centers, Steve Gohman and John Garen..

Contractually Biased Research and Scholarly Activity

At universities where the public has been able to see a contract (Memoranda of Understanding, or MOU) signed by a university and the Charles Koch Foundation, a common stipulation common to them all is that any activities must comply with the a provision of the contract that CKF calls its "Objectives and Purposes."

In the more recently created Koch centers, including **Ball State University** this stipulation is hidden in a seemingly separate provision, the "Institute's Mission," which Koch goes out of their way to seem uninvolved in. The 2016 Grant Agreement very cautiously establishes the "Institute's Mission" as:

the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to become a national model for values- and ethics-based entrepreneurship, developing research and talent to help solve contemporary problems and promote understanding of the characteristics and virtues of free enterprise in helping people improve their lives (the "Institute's Mission"). (BSU Agreement, Sec. 2.a)

Other activities outlined in the Proposal to Koch and Schnatter clarify the activities involved in the Institute's Mission. The Institute Programs will require that faculty and students "[i]nform ripe policy debates" on issues affecting "free enterprise," campus-wide "teaching and training" of "free enterprise," and the development of a PhD program in Entrepreneurship (BSU Agreement, Attachment A).

Koch Summits and the Use of Cover Words Like "Well being"

Recordings from within Koch's 2014 donor summit reveal that this language is purposefully being used to change the "framing" of free-market capitalism. Wake Forest University's Dr. Jim Otteson spoke on a panel entitled "Leverage Science and Universities," with Koch foundation officials. He described his "framing" ideas behind his newly announced [multi-million dollar "well-being" initiative](#) as a "game changer." He [described](#) an interaction with "a prominent left wing political scientist":

when I say prominent, he does blogs where he rails against Republicans almost daily like jokes about how bad capitalism is. [...] so we met for a cup of coffee.

[...]

...this is exactly the sort of person that if I had said to him, well what I want to do is, is have reports studying the (inaudible) of capitalism, or even if I had said "economic freedom," this would have been exactly the sort of person who probably would have been leading the charge against it, he would have been leading the protest against it. But when you say, no, what we're interested in is human well-being, what are the elements -- this is not a partisan question. This is not even an ideological question. This is a question about managing government. What are the elements of human well-being (inaudible)? What we do is we enable people from across the political spectrum (inaudible) might want to be part of (inaudible). The framing of that is going to be critical. (Otteson, [session transcript](#), pg 15-17)

BB&T's network of professors who teach Moral Foundations of Capitalism (of which John Garen has been a part since at least 2007). Several professors use a textbook entitled the "[Morality of Capitalism](#)," published by the Atlas Network. On a back page of this text, a remarkably frank message awaits students:

Free Markets Need a Moral Defense: *YOURS*

The Atlas Network has initiated a worldwide moral campaign for free enterprise, starting with honest debates about morality and capitalism in over a dozen languages. Atlas has partnered with the John Templeton Foundation's "Big Questions" program to promote serious discussion and debate about the morality of the free market and has partnered with **Students for Liberty** to bring you **The Morality of Capitalism**, a collection of essays edited by Atlas executive vice president Dr. Tom G. Palmer. Atlas is also sponsoring books, essay contest, and Freedom Schools on the morality of capitalism in over a dozen other languages, with the generous support of the Smith Family Foundation, the John Templeton Foundation, and other sponsors. ([pg 137](#))

Another panel at the APEE 2016 conference, moderated by the Koch foundation and entitled "[Being an Intellectual Entrepreneur](#)," encouraged Koch funded professors from Alabama, Louisiana, Florida, and West Virginia to describe their success, and how other faculty might follow their activities as a model.

Derek Yonai from Florida Southern College elaborated on how academic programming is designed to recruit for "the liberty movement" (identified as organizations like "FEE, IHS, KIP, KAP," namely the Foundation for Economic Education, Institute for Humane Studies, Koch Internship, and Koch Associate Program). Yonai detailed how he singles out students "who don't fit in," recruiting "foot soldiers" in a "fight for economic freedom." Yonai acknowledged how "some people outsource to **Students for Liberty**" for recruitment.

Dr. George Crowley from Troy University's Manley Johnson Center described how a Koch's donor partnership was able to "take over" curriculum, majors, and hiring at Troy, and how faculty have been using it as "recruitment grounds" for the liberty movement. He highlighted how Troy faculty engage in

Alabama policy “fights,” including an attempt to “bring down the state pension system” and to address the “teacher union’s influence.”

In another panel, Troy’s Steve Miller described getting “more directly involved in state politics,” about to hire their second policy analyst for an office they’ve opened at Troy’s campus in the capital, Montgomery, and how faculty have already had “an audience with the governor’s staff” and with “different groups of legislators.”